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C O N F I D E N T I A L CHISINAU 000788

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STATE FOR EEB/ESC/IEC AND EUR/UMB

E.O. 12958: DECL: 07/28/2018

TAGS: [ECON](#) [ENRG](#) [PGOV](#) [MD](#)

SUBJECT: Moldovan Concern about Gazprom Takeover of Union Fenosa

Classified By: Charge d'Affaires Rudolf V. Perina for reasons 1.4(b) and (d)

11. (C) Moldovan Prime Minister Greceanii (please protect) asked for an urgent one-on-one meeting with CDA July 28 to voice her concern about possible Gazprom takeover of the Spanish firm Union Fenosa, which controls about 70 percent of electricity distribution in Moldova.

12. (C) Greceanii said the GOM had learned that a 45 percent stake in Union Fenosa might be auctioned as early as this week. There were a number of Western European firms interested in the acquisition but Gazprom was expected to bid as well. Greceanii said that if allowed to compete, Gazprom would outbid other firms because it realized the strategic importance of the deal and strongly wanted control of Union Fenosa. She said that Russian control of Moldova's electrical sector would give it a complete stranglehold on the country and bring to an end Moldovan independence and European orientation.

13. (C) When asked by CDA what the GOM was requesting, she answered that the U.S. should persuade the holding firm ACS not to sell its stake in Union Fenosa in open bidding but rather directly to a Western firm. CDA expressed skepticism that the U.S. could take such action but promised to transmit the GOM's concerns to Washington.

14. (C) In a subsequent discussion, local Union Fenosa Executive President Silvia Radu confirmed that a 45 percent acquisition of Union Fenosa's global assets would give Gazprom 97 percent control of Moldovan operations. However, given the impact of Gazprom control of Union Fenosa assets in other countries, including Spain, she doubted that such a deal would be politically acceptable to Madrid. Presidential Advisor Mark Tkaciuc, in a separate conversation, said the GOM reaction to a possible Gazprom takeover would be to "revert to authoritarian communism" and nationalize the sector rather than allow Russian control.

15. (C) COMMENT: There is little doubt that a Gazprom takeover of the Moldovan electrical sector would give Moscow devastating and virtually complete control of the country's energy resources. While the intention of ACS to sell Union Fenosa has been reported in the local press, Greceanii's sudden and urgent concern about the sale implied some inside information about Gazprom's determination to be the high bidder. It probably also reflected the fears of Moldova's pro-Western political leaders regarding encroaching Russian influence in the country. We did not promise Greceanii a reply, but if there is any background information about the sale from Department or Embassy Madrid that we could pass to her, it would be much appreciated.
End comment.

PERINA